

MAJOR HOLDINGS & DEVELOPMENTS LIMITED



annual report
to our shareholders

YEAR ENDED JANUARY 31ST 1973

Head Office

Westmount Place
50 Westmount Road N., Waterloo, Ontario

Solicitors

Smith, Speyer, Neeb & Graham
Kitchener, Ontario

Auditors

Coopers & Lybrand
(formerly McDonald, Currie & Co.)
Chartered Accountants

Banker

The Mercantile Bank of Canada
Toronto, Ontario

Transfer Agent and Registrar

Preference and Common Shares —
The Canada Trust Company
Toronto, Ontario

Trustee for the Debenture Holders

National Trust Company, Limited
Toronto, Ontario

Listing of Common Shares

Toronto Stock Exchange

president's report

It is with distinct pleasure that I present my sixteenth Report to Shareholders as the forward to our Annual Report for the year ended January 31st, 1973. While Canada is still beset with serious and nagging problems, some of the most worrisome mentioned in my last year's report have somehow faded in importance or at least in their intensity. Perhaps they have been overshadowed or placed in better perspective by the events of the year just passed. The election of a minority government with the result that all parties seem more receptive to the moods, aspirations and demands of the grass roots, appears to be good for the country. Business seems to be booming on most fronts, nagging unemployment is finally coming down slightly and all in all, more Canadians are enjoying a better living standard and good and stable government than ever before. This business climate naturally creates excellent conditions for the

real estate industry of which we are a part.

In our particular geographical area of operations, now the Regional Municipality of Waterloo, business through 1972 and to date has been very good and real estate itself can be said to have reached a record plateau this spring. We are indeed fortunate in that our previous planning and develop-

ment efforts, which included a large investment in subdivision services in 1971, provided ample serviced land for profitable land sales in the year under review.

I would now like to inform you in detail about our activities in the year ended January 31st,

1973 categorized under several main headings.

Financial Highlights

Land sales rose to \$2,310,000, a gain of 14% over the previous year. Rental income reached \$1,756,000 — a gain of 37%. Our consolidated net profit after taxes rose to a record figure of \$232,233 as compared with \$60,891 in the previous year. Earnings per common share after full tax deferral were 10 cents, up from 2 cents. Retained Earnings and paid-in capital reached a record level exceeding \$2,900,000.

Land Sales

In addition to the sale in bulk of an entire neighborhood in our Beechwood Community, Waterloo, consisting of 165 lots, another 123 were sold in our other subdivisions, for a total sales of 288 lots, 50 more than in the previous year. There was a decided pick-up in activity recorded in St. Andrews, Cambridge (Galt), Pioneer Park, Kitchener and in the Beechwood Glen neighborhood, Waterloo. Sale of one-half interest in a 3.1 acre town house site in Pioneer Park for a Joint Venture together with the sale of a 5.2 acre commercial site in Waterloo comprised the remainder of our land sales.

Building Sales

In our Avenue Terrace Apartments, Kitchener, which we converted to condominium during 1972, 11 of the units were sold during the year in this small and deluxe building and the remaining five units have been sold in the current year, thus completing this project. A 90,000 square foot industrial building in Waterloo, as well as the 35 suite Manor House Apartments, Kitchener, were also sold during the year in a continuation of our pol-



icy of selectively disposing of those investment properties not suitable for further development or unlikely to appreciate in value in the near future.

Investment Properties

Our residential properties—Westmount Towers, Conestoga Towers and Southgate I improved their performance during the year with vacancies now standing at less than 2%. Rental rates at Conestoga Towers were not high enough however during the year to break even on these buildings.

College Square Shopping Centre commenced operations in November, is fully leased and showing a profit. Westmount Place Shopping Centre considerably bettered its performance in the first phase of stores and offices but full profitability will not commence until completion of the mall and additional stores now under construction in Phase III.

At Corporation Square, our largest investment property, we were successful in leasing approximately 15,000 square feet since August, 1972. The level of inquiries now being received and negotiations now underway with several large tenant prospects, make us hopeful of leasing the majority of the remaining 35,000 square feet by year-end, thus minimizing the very heavy loss position and cash drain suffered since the complex opened two years ago.

Corporate Investments

During the year our one-third interest in Vintage Homes Limited was sold at a price in excess of book value. We also completed the purchase of the balance of shares of our construction management company, Watcon Inc., which is now a wholly owned subsidiary. It has contributed an excellent profit in its first full year of operation.

NEW PROJECTS

Subdivision Development

Early approvals are expected for additional subdivision plans in both Kitchener and Waterloo, which would assure us of a very satisfactory inventory of single family lots as well as multi-family sites through 1974. Our second registered plan of 38 lots in St. Andrews Estates, Cambridge (Galt), was registered this month with all lots presold to several builders.

Multi-Family

Construction on Phase II of Southgate rental units started last December and response has been excellent with 12 of the 32 units already leased prior to completion of the model units. This is encouraging us to consider proceeding with further units this summer and completing what we fully expect will be the finest rental project of its kind in the Twin Cities next year. Other multi-family rental and condominium projects in which we will have an interest are described under Joint Ventures below.

Joint Ventures

In recent months we have announced several joint ventures. With Alliance Building Corporation Limited of Toronto, we propose shortly to begin construction of multi-tenant industrial buildings in Kitchener and in Waterloo on land being acquired. With Ronark Developments, a division of Ronyx Corporation Limited of Hamilton, we have just commenced construction of 40 condominium town house units in Pioneer Park, likely to be followed by a second town house project also in Pioneer Park and a condominium project in Waterloo later this year. We have also entered into a joint venture agreement with

Farlinger Developments Limited, Toronto, for the construction of high-rise apartment buildings and the first project consisting of a 105-suite Westmount Towers II building will commence this month. Our fourth joint venture has reached the stage of agreement in principle with Travelodge International, Inc. of California and is expected to be activated with construction in mid-summer on a Toronto Travelodge hotel and one in Kitchener to follow.

Commercial

Phase III of Westmount Place Shopping Centre consisting of some 25 stores opening on an air-conditioned mall with a total area of 73,000 square feet is now well underway and scheduled to open October 17th. The accent in Westmount Place continues to be centered on making this the finest Fashion Centre as well as fully rounded shopping facility in Western Ontario and the large area from which Westmount Place draws its clientele attests to the success of its appeal.

Planning for the second phase of College Square Shops in Waterloo has begun and we will commence construction of additional stores and some offices on completion of several key leases.

In Pioneer Park, Major Holdings owns a 14 acre shopping centre site on Homer Watson Boulevard which is zoned and serviced. With the sharply increased pace of housing construction in the area, we have commenced basic planning, on completion of which we will be contacting key tenants with the intention of having the first phase of this centre open for business by the end of 1974.

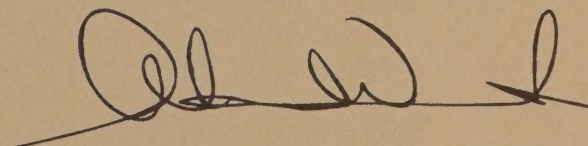
General

The year ended January 31st, 1973 was a good one for Major Holdings resulting in a

large increase in earnings, an improvement in occupancy levels of our investment properties and strong demand from builders in all of our subdivision areas. The period since the year end has been profitable and there is every indication that the remainder of the year will continue to be satisfactory. The level of earnings for the year will depend largely on the speed with which subdivision plans can be approved and further improvement in occupancy levels of our investment properties. I have previously mentioned the possibility of increasing the capital base of the Company for greater working capital and funds for geographical expansion. The Board still feels this is a desirable objective under the proper circumstances, and we are continuing to consider the best means of increasing capital without diluting our shareholders' interests.

In conclusion, I wish to record my deepest thanks to the members of our Board of Directors for their sage counsel and valued assistance, to our executives for their capable and dedicated efforts and to all our staff for their loyalty and hard work without which the successful attainment of our objectives would have been impossible.

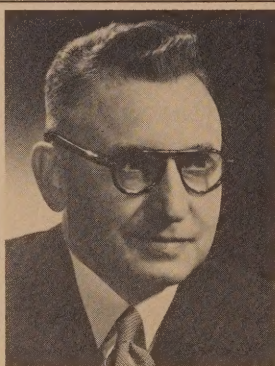
Respectfully submitted.

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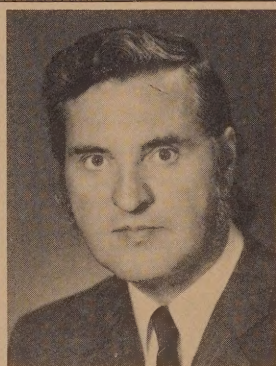
A. Wiebe, F.R.I.
President &
Chief Executive Officer.

May 9th, 1973

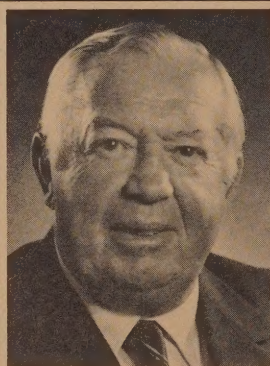
DIRECTORS



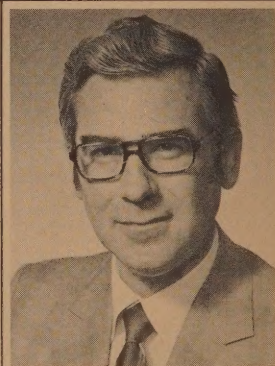
Carl N. Weber



Jack H. Smith, Q.C.



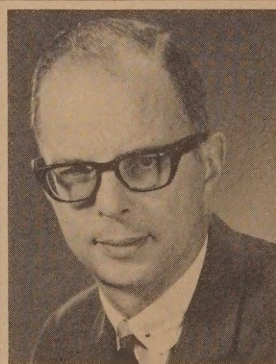
Carl E. Dunker, M.B.E.



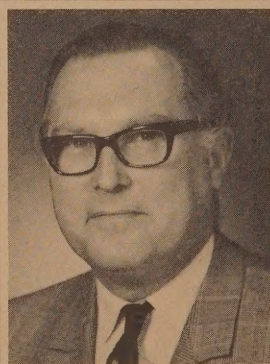
William G. Stewart



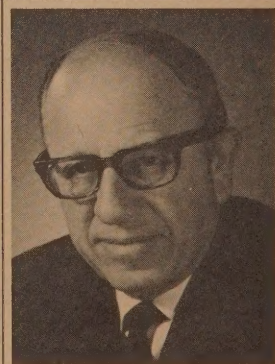
Harry E. Wambold



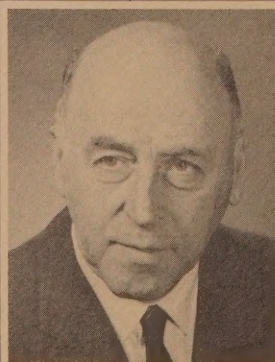
Bruce H. Burns



James B. Cronyn



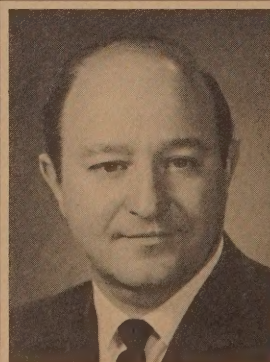
Abraham I. Rosenberg



Norman W. Parker



Howard R. Huehn



Edward Bergman



Kenneth H. Christopher

officers

Abram Wiebe, F.R.I.
President

Bruce H. Burns, C.A.
Executive Vice-President & General Manager

Jack H. Smith, Q.C.
Secretary

R. William Lavigne, C.A.
Treasurer and Assistant Secretary

Kenneth H. Christopher, M.Ed.
Vice-President Property Management

R. C. Van Veldhuisen, P.Eng., MTPIC
Vice-President Planning and Development

John Zimmer, B.A.
Director of Marketing

Gary Lambert, C.A.
Comptroller



consolidated Balance sheet

as at January 31, 1973

assets	1973	1972
	\$	\$
CASH	54,828	2,191
SALES AGREEMENTS AND MORTGAGES RECEIVABLE (note 2)	2,689,703	2,302,768
RECEIVABLE FROM SALE OF CONESTOGA TOWERS (note 2)	—	648,410
PROPERTY HELD FOR DEVELOPMENT - at the lower of cost or market (notes 2 and 3)		
— land	6,448,977	6,358,292
— deferred development costs	1,106,213	1,665,131
INVENTORY OF CONSTRUCTION WORK IN PROCESS - at the lower of cost or net realizable value	7,080	—
PREPAID EXPENSES	58,369	75,241
ADVANCES AND INVESTMENTS WITHOUT QUOTED VALUE - at cost (notes 2 and 4)	57,589	40,682
PRELIMINARY COSTS - INVESTMENT PROPERTIES	114,933	172,275
INVESTMENT PROPERTIES - at cost less accumulated depreciation (notes 2 and 5)	11,874,602	12,101,853
UNAMORTIZED PUBLIC FINANCING EXPENSES (note 6)	22,400	44,800
	<u>22,434,694</u>	<u>23,411,643</u>

Signed on behalf of the Board

Abram Wiebe

Director

Bruce H. Burns

Director

liabilities	1973	1972
	\$	\$
BANK ADVANCES (note 2)	1,557,745	674,932
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	571,408	698,121
INCOME TAXES	10,250	—
PROVISION TO COMPLETE SUBDIVISION SERVICES	628,572	966,189
DEFERRED INCOME (note 7)	320,160	337,841
7¼% SUBORDINATED SINKING FUND CONVERTIBLE DEBENTURES DUE DECEMBER 15, 1988 (note 8)	1,395,000	1,395,000
MORTGAGES AND PURCHASE AGREEMENTS PAYABLE (note 2)	14,004,829	15,836,284
DEFERRED INCOME TAXES	1,036,919	830,419
	<u>19,524,883</u>	<u>20,738,786</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized —		
100,000 7½% cumulative preference shares of the par value of \$10 each, redeemable at par		
3,000,000 common shares of no par value (notes 8 and 9)		
Issued and fully paid —		
32,105 preference shares	321,050	321,050
2,016,470 common shares (notes 8 and 9)	1,744,457	1,715,657
	<u>2,065,507</u>	<u>2,036,707</u>
RETAINED EARNINGS	844,304	636,150
	<u>2,909,811</u>	<u>2,672,857</u>
	<u>22,434,694</u>	<u>23,411,643</u>

AUDITORS' REPORT March 21, 1973

We have examined the consolidated balance sheet of Major Holdings & Developments Limited and its subsidiary as at January 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at January 31, 1973 and the results of their operations and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario.

McDONALD CURRIE & CO.
CHARTERED ACCOUNTANTS

notes to consolidated financial statement

for the year ended January 31, 1973

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of Major Holdings & Developments Limited and its wholly owned subsidiary, Watcon Inc. The subsidiary's year end is December 31, 1972 and its accounts have been consolidated as of that date.

2. SECURITY FOR BANK ADVANCES AND MORTGAGES PAYABLE

Bank advances are secured by an assignment of book debts, by a floating charge debenture against all of the company's assets, a fixed charge debenture against Corporation Square and a mortgage on certain parcels of land owned by the company.

Mortgages payable are secured by a mortgage receivable, property held for development and investment properties.

3. CARRYING CHARGES CAPITALIZED

As in prior periods, carrying charges have been added to the cost of land and this year amounted to \$491,523 (1972 - \$369,964).

4. ADVANCES AND INVESTMENTS WITHOUT QUOTED VALUE

Advances and investments are classified as follows:

	1973	1972
	\$	\$
Investment in shares	9,600	14,391
Advances	26,291	26,291
Joint venture	21,698	—
	<u>57,589</u>	<u>40,682</u>

5. INVESTMENT PROPERTIES

Land, buildings, equipment and related accumulated depreciation are classified as follows:

	1973		1972	
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Land	330,363	—	330,363	397,515
Buildings	11,476,133	273,029	11,203,104	5,867,835
Equipment	168,838	111,587	57,251	56,059
Construction in progress	283,884	—	283,884	5,780,444
	<u>12,259,218</u>	<u>384,616</u>	<u>11,874,602</u>	<u>12,101,853</u>

Capital Commitment —

The estimated cost to complete construction projects is as follows:

	\$
Southgate Phase II	575,000
Westmount Place Shopping Centre Phase III	1,614,800

Funds will be available from mortgage financing as follows:

Southgate Phase II	575,000
Westmount Place Shopping Centre Phase III	885,000

An agreement has been negotiated for sale and leaseback of the Westmount Place Shopping Centre, Phase III land in the amount of \$700,000.

6. PUBLIC FINANCING EXPENSES

The company is amortizing the public financing expenses over five years, subject to adjustment in the event of earlier redemption of the debentures.

7. DEFERRED INCOME AND LONG-TERM LEASES

In addition to deposits in the amount of \$69,231, deferred income is comprised of the profits or losses on the following properties which have been sold and leased back to the company. The profit or loss resulting from each transaction is being amortized over the initial lease term as follows:

Property	Year of Sale	Initial Lease Term	Original Deferred Income (Loss)	Unamortized Balance
			\$	\$
Corporation-Square - site	1970	35 years	40,843	36,174
Westmount Place, Shopping Centre - site	1970	30 years	227,956	197,558
Southgate - site	1971	20 years	237,530	201,907
College Square - site	1972	20 years	198,026	188,128
Conestoga Towers - site and building	1972	27 years	(378,919)	(372,838)

The basic annual rental cost until 1992-is \$322,000 for the above leases.

8. 7¼% SUBORDINATED SINKING FUND CONVERTIBLE DEBENTURES

Under the terms of the trust indenture, the company is required to make annual payments of \$100,000 into a sinking fund in each of the years 1979 to 1987 inclusive. The debentures are convertible any time prior to December 15, 1978 on the basis of 370 common shares for each \$1,000 principal. The company may not declare or pay dividends on its common shares if such action would reduce the retained earnings below \$750,000.

9. CAPITAL STOCK

(a) Options to purchase up to 130,000 common shares have been given to certain directors and officers of the company for periods terminating in 1978 at a price of \$1.50 per share to 1973 and \$3.00 per share thereafter. Options have been exercised to date for 45,200 shares of which 19,200 were exercised this year at \$1.50 each.

(b) The conversion of the present debenture indebtedness will require 516,150 common shares.

10. CONTINGENT LIABILITIES

The company is contingently liable as guarantor for bank loans in the amount of \$109,000 (1972 - \$109,000).

11. OTHER STATUTORY INFORMATION

(a) Remuneration paid or payable to directors and senior officers (as defined by The Business Corporations Act, 1970) amounted to \$151,000 (1972 - \$126,000).

(b) Depreciation included in general and administrative expenses amounted to \$9,270 (1972 - \$7,559).

consolidated statement of retained earnings

for the year ended January 31, 1973

	1973	1972
	\$	\$
BALANCE - BEGINNING OF YEAR		
As previously reported	636,150	470,283
Prior years' adjustment		
Adjustment of prior years' depreciation net of deferred tax effect	—	129,055
As restated	636,150	599,338
Net earnings for the year	232,233	60,891
	868,383	660,229
Dividends - preference shares	24,079	24,079
BALANCE - END OF YEAR	844,304	636,150

ACCOUNTING POLICIES USED BY THE COMPANY IN THE PREPARATION OF ITS FINANCIAL STATEMENT

Property Held for Development

Land is carried in inventory at its original cost, plus carrying charges since February 1, 1969 (i.e. interest, taxes and insurance less rental income).

Investment Properties

The cost of buildings constructed by the company include all carrying charges and leasing costs incurred in completing the buildings.

Depreciation

Depreciation rates and methods can be summarized as follows:

Assets	Depreciation Expense	
	1973	1972
5%, 50 year sinking fund	44,200	30,140
2½ % straight line	19,290	28,789
3% straight line	21,770	21,677
4% straight line	5,605	5,605
10% straight line	22,041	31,887
	<u>112,906</u>	<u>118,098</u>

Deferred Public Financing Expense

This expense is being amortized over five years subject to earlier redemption of the 7¼ % debentures.

Income from Land Sales

Income from land sales is recognized when the agreement is written and all conditions have been satisfied.

Sale and Leasebacks

The gross profits and losses on sale and leaseback transactions are being amortized over the initial terms of the leases.

Land and Development Costs

These costs are firstly averaged on an acreage basis and lastly within each registered plan are allocated on a foot frontage basis.

Interest Allocation On Borrowings

Interest charges, relating to investment properties, are charged directly against each investment property. General interest is allocated to other investments and is capitalized or written off to expenses as is appropriate.

summary of real estate holdings

INCOME PRODUCING PROPERTIES

Residential

Westmount Towers — 57 apartment suites completed in 1962; in Waterloo across from Westmount Place Shopping Centre; construction of an additional 105 suites to start in May 1973 under a Joint Venture Agreement; land adjoining for an additional 90 suites is also available for construction under this Joint Venture Agreement.

Conestoga Towers — 158 apartment suites and two stores constructed in 1968, on leaseback for 26 years, in downtown Kitchener.

Southgate — 12 semi-detached rental units, completed in 1971; construction of an additional 32 semi-detached and town house units under construction to be completed in July 1973; land for an additional 90 town house and apartment units remaining.

Commercial

Westmount Place Shopping Centre — Westmount Road North, Waterloo. Phase I consisting of 70,000 sq. ft. of retail and 19,000 sq. ft. of office space, completed in 1970; Phase II — 62,000 sq. ft. Sayvette department store completed in 1971; Phase III — 40,000 sq. ft. retail shops around an enclosed mall under construction to be completed in October 1973.

College Square — Phase I — 13,500 sq. ft. retail space on University Avenue at Phillip Street in Waterloo completed in December 1972.

King-University Building — 5,800 sq. ft. of retail stores in Waterloo constructed in 1964.

Corporation Square — 151,600 sq. ft. of prestige offices, theatre and shops in downtown Kitchener, completed in 1971.

Dunker Building — over 100,000 sq. ft. of offices and stores on King Street in downtown Kitchener, purchased in 1969; Dunker Mews shops added in 1970.

Industrial

I-C Building — 55,000 sq. ft. two-storey multi-tenancy industrial building at Victoria and Park Streets in Kitchener, purchased in 1964.

LAND HELD FOR DEVELOPMENT

Residential

Kitchener — Pioneer Park — total of 817 acres purchased 1963 to 1970. Phase I — 326 acres now under development within approved Draft Plan; portion unsold at January 31st, 1973, 103 acres multi-family.

491 acres adjacent to above Draft Plan west of Doon Village Road for future residential development.

Waterloo — Beechwood Community — registered lots and land under approved Draft Plan unsold at January 31st, 1973 comprise 65 single family lots and 16 acres of multi-family sites. Further land ownership as follows:

96 acres residential land east of Hallman Road, 892 acres residential land west of Hallman Road.

Waterloo — other

College Square — 8.6 acres for minimum 350 apartment suites on Phillip Street at University Avenue West.

Galt — St. Andrews Estates

Total 78 acres within approved Draft Plan purchased in 1969; 19 acres (Phase I) now under development; total unsold at January 31st, 1973:

Phase I — 23 single family lots

Balance — 160 single family lots, 10 acres multi-family.

Commercial

Kitchener: Pioneer Park — 16.5 acres commercial and shopping centre in portion under development.

Downtown Kitchener — 59,000 sq. ft. and 87,000 sq. ft. parcels on north and south sides of Charles Street at Water Street presently used for public parking.

15,000 sq. ft. on Weber Street used for Corporation Square surface parking.

Waterloo — College Square — 69,700 sq. ft. adjoining Phase I above on University Avenue West.

Industrial

Kitchener — 25 acres in Phase I of Pioneer Park.

Waterloo — Parcels of 7.3 acres, 3.5 acres and 2.3 acres on Phillip Street between Albert and Columbia Streets.

